

[in the news](#)[home](#) [site search](#) [org chart](#) [stuff](#) [contact us](#) [web comments](#)

CFAC, BPA take big step toward lower regional power rates

[Click here for other BPA news releases](#)

Bonneville Power Administration

FOR IMMEDIATE RELEASE: MONDAY, May 21, 2001

PR 40 01

CONTACTS: *Ed Mosey or Mike Hansen, BPA (503) 230-5131*

PORTLAND, Ore. – The Bonneville Power Administration (BPA) and Columbia Falls Aluminum Company (CFAC), located near Kalispell, Mont., have agreed on a curtailment of the plant's power supply from BPA for up to two years. The pact covers most of the 171 megawatts CFAC would purchase from BPA under a contract commencing Oct. 1, 2001.

"This agreement, like the one announced last week with Alcoa, provides a significant portion of the load reduction BPA needs to avoid very large rate increases this fall," said Steve Wright, acting administrator of BPA. "We believe that these two agreements demonstrate that the aluminum industry can suspend operations for a short period with the intent of restarting when wholesale power prices decline."

BPA does not have sufficient supply to serve all of its customers' requirements. By negotiating agreements with the aluminum companies to stay out of production for up to two years, the agency hopes to avoid purchasing power in the market. Absent load reductions by the companies and BPA's utility customers, wholesale rates could more than triple on Oct. 1.

Wright added, "The high cost of wholesale power in the market would most likely have forced the companies to shut down anyway, so helping them to maintain a paid work force until prices come down is the best possible outcome for all concerned."

The agreement calls for reductions in power deliveries to CFAC as follows:

167 megawatts through Sept. 30, 2002; and 100 megawatts from Oct. 1, 2002, through Sept. 30, 2003. Affected workers at CFAC will receive pay and benefits while the potlines are idle.

BPA will fund the workers' compensation. This is intended to help keep a workforce in the area so that the plant can restart when conditions allow, and to cushion the impact on the local economy.

Wright said the agreements should help dispel the notion that BPA's call for a temporary curtailment of aluminum production will ultimately lead to the demise of the industry.

"I commend both Alcoa and CFAC for making these commitments," Wright said. "These agreements protect aluminum workers while holding down rates, thereby preserving many thousands of jobs in other industries throughout the region."

PETER DeFAZIO

Fourth District, Oregon

Printer-friendly view

[Home](#)

CONSTITUENT SERVICES

[Contact Me](#)
[Fourth District Info](#)
[Congressional Pages](#)
[Military Academies](#)
[Internships](#)
[Tours & Flags](#)
[Solving Problems](#)
[Government &
Legislative Resources](#)

DeFAZIO ON...

[Protecting
Social Security &
Medicare](#)
[Rebuilding
Budget Priorities](#)
[Tax Fairness & Reform](#)
[Energy & Environment](#)
[Economic Development](#)
[Health Care](#)
[Seniors](#)
[Aviation](#)
[Food Safety](#)
[Veterans](#)
[Combating
Youth Violence](#)
[Failed US
Trade Policies](#)
[Gas Prices](#)
[More...](#)

PRESS & NEWS

[Releases](#)
[Articles](#)
[Audio/Video](#)
[Newsletters](#)

ABOUT ME

[Biography](#)
[Accomplishments](#)
[Pay Raise to
Scholarship Program](#)
[Photo Gallery](#)
[My Top 10 Anticorporate](#)

DEFAZIO TO RELEASE DSI STUDY

Company-By-Company Report Will Show Aluminum Industry Made \$1.4 Billion Reselling Power

April 19, 2001

Press Release | Contact: Kristie Greco (202) 225-6416

WASHINGTON, DC—Rep. Peter DeFazio released a report at a press conference today, detailing the huge profits Direct Service Industries (DSIs) have made by reselling the low-cost energy they receive from Bonneville Power Administration. DSIs have already made \$1.4 billion this year remarketing BPA power in the volatile wholesale energy market. The largest windfall recipients Kaiser Aluminum, Goldendale Aluminum, and Columbia Falls Aluminum have made \$485 million, \$480 million, and \$384 million respectively. DeFazio was joined at the press conference by representatives from Emerald Water and Electric Board, Springfield Utility Board, Lane Electric Cooperative, Blachly-Lane Electric Cooperative, and Emerald People's Utility District.

DSIs are industrial businesses, primarily aluminum companies, that rely on large quantities of power for their production, and buy their power directly from BPA. Under power contracts that were negotiated in 1995, DSIs had the option to resell the inexpensive power they bought from BPA on the open market. When wholesale energy prices began to spike many companies shut down their operations and laid-off workers in order to resell a maximum amount of power and earn enormous profits. Yet few companies have invested their profits in developing their own generation, improving the energy efficiency of their production, or retraining or paying their workers during layoffs.

DSI power contracts with BPA expire this year, and they are attempting to negotiate another special deal for themselves that will raise prices for Northwest ratepayers. In addition to company-by-company profit data, the DeFazio report critiques the DSI "tiered rate" proposal and concludes that it is a raw deal for the Northwest.

Because of an unprecedented combination of near drought conditions, an over-commitment of resources by BPA, and the dysfunctional Western

my trip to Antarctica

EMAIL ME
Search this site

wholesale energy market, BPA will have to raise their rates by 50 to 250 percent this fall. One way to curtail that rate increase is to reduce their load, or their commitment to supply power, contracted to the region's DSIs. Buying back the power contracted to the DSIs would cut the amount of power BPA would have to buy on the volatile wholesale energy market in half. DSIs could use that money to invest in their own generation, pay workers, retrain workers, and improve their energy efficiency.

-30-

[View a printer-friendly version of this page.](#)

*in the news*[home](#) [site search](#) [org chart](#) [stuff](#) [contact us](#) [web comments](#)

Newsbreaker: BPA calls on customers to reduce load on the agency

April 9, 2001

[Click here for past Newsbreakers.](#)

At a press conference today, Acting Administrator Steve Wright called on BPA's customers to reduce the load they place on the agency in order to reduce the increase in wholesale energy prices the region will face this fall.

These are the messages he presented:

- If we take no actions, we are headed toward a rate increase of 250 percent or more in the first year of a five-year rate period. This isn't hypothetical. It's the trajectory we're on.
- A rate increase of this magnitude will likely have huge economic consequences in the Northwest.
- The region has a choice. We can take Path A, and do nothing. Or we can take path B, which means making major sacrifices. It will be tough, but not as tough as taking a 250 percent increase.
- Immediate fix is to reduce load on BPA so BPA does not have to buy power to meet load in the extremely high-priced wholesale market.
- Long-term fix is to bring on new generation and shore up infrastructure.
- The need to act is urgent. Rates must be firmed up by the end of May to go into FERC by mid-June. The rates go into effect this October.
- If we as a region are going to be successful, it will take contributions from everyone.
- Publics reducing load on BPA by 5 to 10 percent
- IOUs returning some of their benefits commensurate with public contribution. IOU benefits have grown in value by at least 10 times due to market.
- DSIs going down for next two years in an orderly way; alternative is going out of business in a disorderly way.
- If second poor water year, hydro will have to contribute.

- For general public: energy conservation needs to be way of life.
- This is about the Northwest economy. Everyone must own it. The sacrifices called for are tough, but not as tough as the consequences of a rate increase of 250 percent or more. We can manage this to prevent a larger scale calamity if we pull together.

Click [here](#) to see the text of Wright's presentation. Beginning tomorrow, Tuesday, click [here](#) to participate in a online discussion about Wright's message to the region.

You are visitor number **2807** to this page since April 9, 2001.

Published by **BPA Internal Communications**, 503-230-3927.

HOT ISSUES

October 19, 2001

FLATHEAD VALLEY ISSUES AIRED

Acting Administrator Steve Wright spoke to about 250 Montanans in Kalispell on May 31 at the request of Sen. Conrad Burns (R-Mont.). The Flathead Valley is the part of Montana earliest and hardest hit by high electric prices, in part because of BPA's pending rate increase but even more significantly because Flathead Electric has a contract with PacifiCorp for half its load (about 70 average megawatts) that converts to market prices on Oct. 1. The meeting occurred a week after local residents received their first bills with a 30 percent rate increase already adopted by Flathead. The shutdown of **Columbia Falls Aluminum** is also seen as dampening the valley's economy. Panelists included representatives of local utilities, elected officials and state and federal agencies.

BPA issues took up a significant portion of the agenda. Wright fielded some questions on BPA's load-reduction efforts, California, and a local issue on power service to Plum Creek, a lumber company. But the bulk of the public comments concerned deregulation, local politics, several calls for conservation, federal funds to help the most vulnerable citizens affected by high rates and ways for citizens/businesses to help themselves. Wright received a solid round of applause after his presentation. *(Reported by Gail Kuntz)*

June 8, 2001

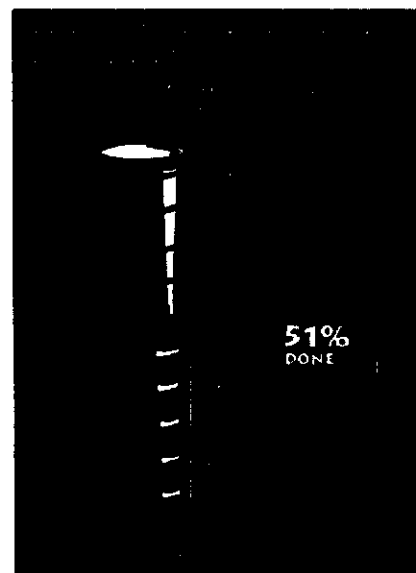
BPA MEETS THE PRESS

Q&A from the press conference

The press asked a number of questions of Steve Wright at Wednesday's press conference on issues that may be of interest to BPA employees as well. Here, paraphrased and pared down a bit, are the questions and how Wright answered them.

Why are the publics doing so poorly compared to the DSIs and IOUs?

There are two reasons. First, our priority has been to work with the larger users first. Second, the publics tend to have more



difficult decision processes. In most cases, managers must take actions like this to their boards.

I do call on the publics, who are one of the major beneficiaries of this system, to get in their commitments.

What happens if the Federal Energy Regulatory Commission approves a price cap on electricity?

It wouldn't affect us either way. We have to file our rates with FERC by the end of June. Either we sign contracts and get out of the power purchase market, which is our goal, or we have to go buy power in July.

What happens if the drought eases or gets worse?

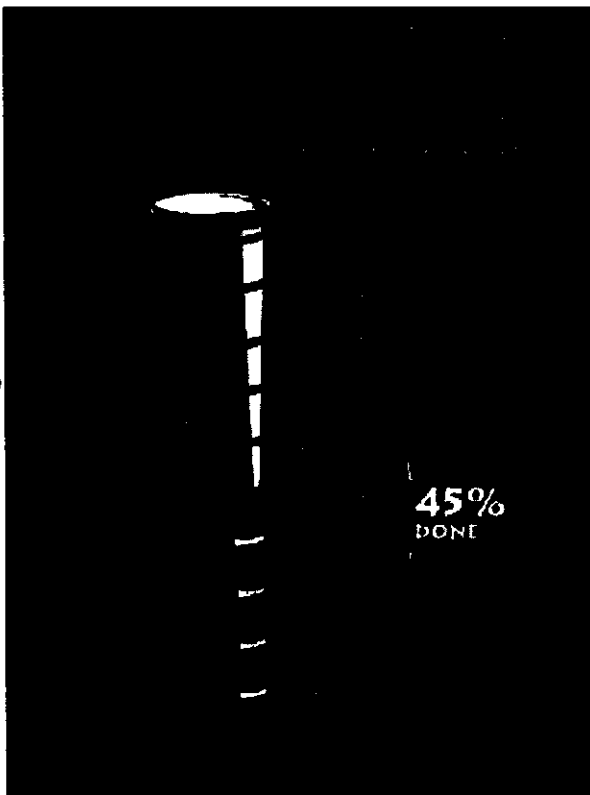
The drought is a small component of our rate decision. The drought is affecting operations this summer. The rate increase is about this fall and the coming year and beyond. We are managing our way through the drought and now expect we will make it through this year in a way that will not trigger a drought-related rate increase. That's a high probability, not a certainty.

What are you doing to get utilities to sign up?

Moral suasion. But it's not just altruism. If everyone participates, everyone will lower their own rates and their neighbor's as well.

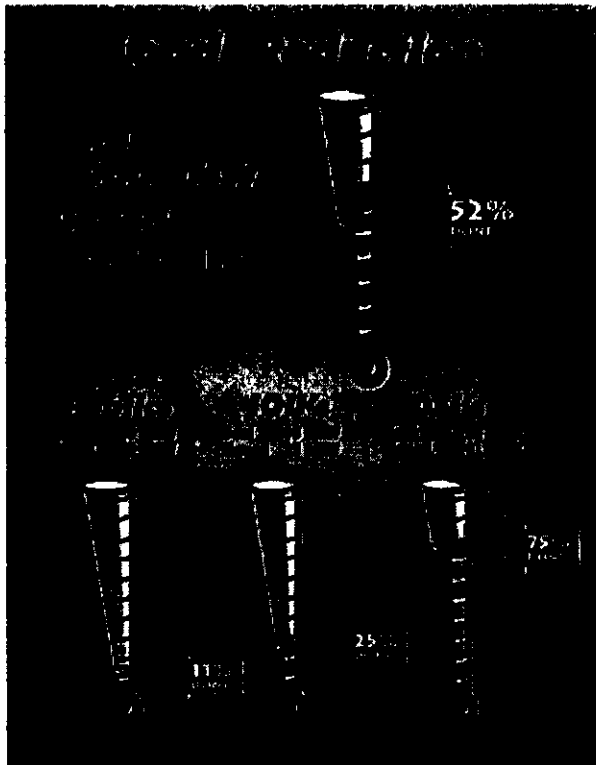
What's the incentive for a publicly owned utility to sign up if it can't cut its loads through conservation? Wouldn't they do better to buy everything through BPA and avoid buying power themselves on the market?

If you look at each individual utility alone, the economics work as you describe. But if we



act and work as a region, we all come out better. You can buy 100 percent of your power at a 250 percent rate increase, or you can buy 90 percent of it at a 70 percent increase. You're better off with the latter.

Are you asking those who've signed to exert peer pressure?



I haven't asked, but it wouldn't surprise me if they were.

Would you seek federal assistance to help pay for power?

No. Our goal is to remain good stewards of the Columbia River System and to pay our way. We continue to have a system that's the envy of the rest of the nation. We don't want to give ammunition to those who argue that the Northwest is subsidized.

What about Kaiser? Can this effort work without it? Will you serve Kaiser this fall?

It is possible to achieve our goals without one of the DSIs, but it works better if they all participate. The figures we're showing today assume Kaiser's reduction capacity does not operate. There are several reasons for this. First, its Meade plant is one of the least efficient in the region. Second, we have a decision to make about Kaiser's performance under its existing contract, and whether, if it has not fulfilled section 16K of that contract, we should decrement service to it.

What about Golden Northwest?

We are in very active conversations with Golden Northwest. I am optimistic that we will find a way to get to agreement.

It's important to remember that we're not urging plants to shut down. We're recognizing that they can't operate in this market. So, if they're not going to be operating, we can provide some compensation, mitigate the impacts and retain the workforce so they can reopen later.

Will Alcoa make more cuts in Wenatchee?

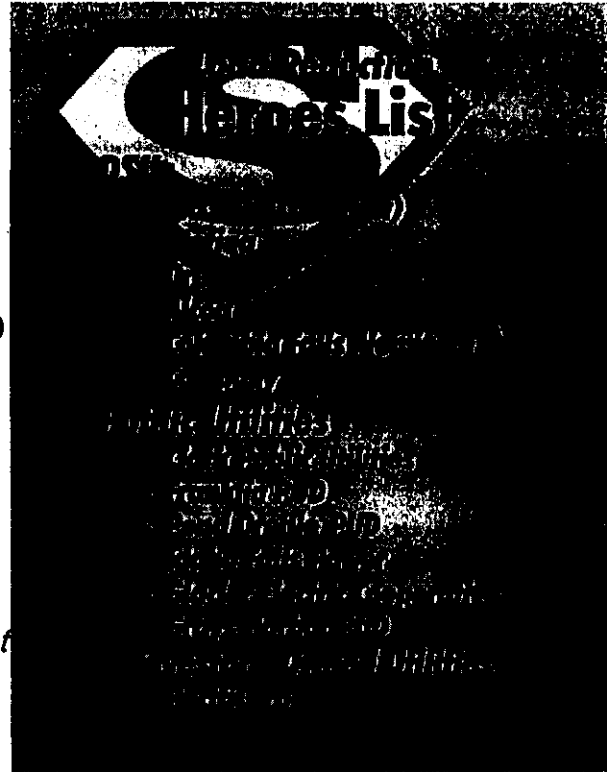
We're done with Alcoa. They have agreed to reduce their take from BPA by more than 400 megawatts and will leave only their magnesium alloy load at Addy on BPA. How they allocate load reduction between their smelters is up to Alcoa.

Are any of the DSI load reductions contingent on others' participating?

No.

Would completing WNP-1 make a difference? Does the Bush Energy Plan affect the decision?

That's a long-term decision that wouldn't affect the next couple of years. We're looking first at the economic and environmental impacts of building it. Energy Northwest is studying it. The administration's position could be part of the discussion, but the first question is, does it make sense as a resource to the Northwest economically and environmentally? *(Reported by Lynn Baker)*



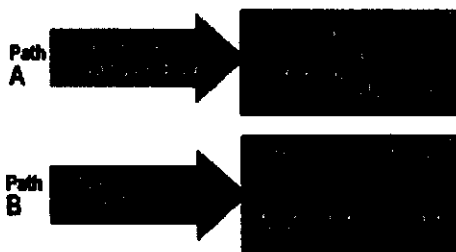
May 25, 2001

CFAC, BPA INK LOAD REDUCTION DEAL

BPA and Columbia Falls Aluminum Company, located near Kalispell, Mont., have agreed on a curtailment of the plant's power supply from BPA for up to two years. The pact covers most of the 171 megawatts CFAC would purchase from BPA under a contract commencing Oct. 1, 2001. "This agreement provides a significant portion of the load reduction BPA needs to avoid very large rate increases this fall," said Steve Wright, acting administrator of BPA. BPA will fund affected workers' compensation while the potlines are idle. This is intended to help keep a workforce in the area so that the plant can restart when conditions allow, and to cushion the impact on the local economy. See BPA's press release for more information. *(Reported by Barbara Canaday)*

April 27, 2001

Managing the Rate Increase



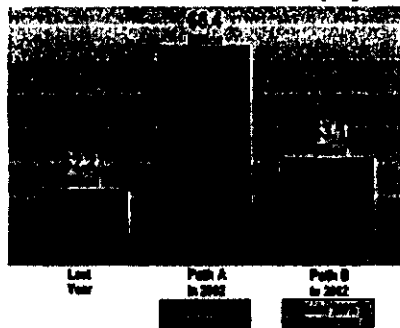
THE DSI DEBATE

EDITOR'S NOTE: To ensure full compliance with the letter and the spirit of ex parte rules, all BPA employees who may have reason to discuss the contents of the following story with outside parties are cautioned not to listen to or otherwise entertain or engage in communications regarding the merits of tiered rates or any other rate case issue.

BPA Acting Administrator Steve Wright has called for load reductions by all BPA customer classes and all Northwest electricity consumers to avoid the potentially severe economic consequences of a triple-digit BPA wholesale power rate increase later this year. BPA's publicly owned utility and investor-owned utility customers have expressed a willingness to participate in load reductions. BPA customer account executives are working with the utility customers on the details now. DSI participation in load reduction is a matter of debate.

BPA asked its direct-service industrial customers to delay the restart of their operations for up to two years. Almost all aluminum smelting capacity in the region is now shut

Costs to Northwest Ratepayers



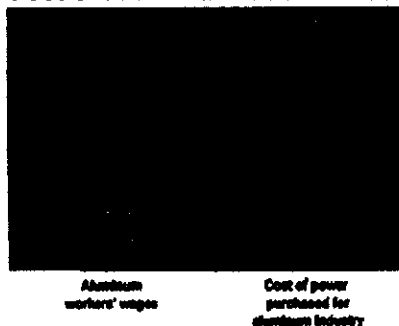
down, as the industry found it could make much more by reselling power than by producing aluminum. Not having to serve most of the DSIs subscription load of nearly 1,500 average megawatts would be a major contribution toward minimizing the amount of power that BPA must purchase in the spot market in the first two years of the new rate period.

BPA has offered to provide limited compensation to the companies and their employees to help mitigate the effects on them and local communities of a one-to-two-year delay in restart of operations.

But what if the companies choose to resume full operation after Oct. 1? Even just 1,000 aMW of load on BPA starting in October would likely result in:

- \$1.5 billion in additional annual costs because of the purchases BPA would have to make to meet its loads in 2002 alone. This \$1.5 billion annual cost would have to be collected from BPA customers in the form of significant additional rate increases.

Cost of Aluminum Jobs in 2002



- Increased risk of blackouts in the Northwest this winter because the regional power system is already being pushed to the limit. Another 1,000 aMW of DSI load would negate the intensive conservation efforts and much of the new resource construction going on in the region right now, and would increase the chances that the system will be pushed "over the edge" into blackout conditions.
- Likely failure of BPA's effort to limit the average size of the October rate increase, resulting in an overall average increase for

the region of 250 percent or more. This is likely both because the DSI load would drive the rate increase up and because other customers would be much less likely to reduce their load demand on BPA if the DSIs refused to do so.

- Much greater loss of jobs throughout the region. The economic model developed for the regional Aluminum Study Group last year indicates that the rate increases caused by reopening aluminum smelters this fall could cost the region four jobs in other industries for every job restored in the aluminum industry and related businesses. The Public Power Council estimates that seven jobs would be lost for every aluminum job saved.
- A very high cost to regional ratepayers for each aluminum industry job created. For every dollar in aluminum industry wages paid, regional ratepayers would pay roughly \$10 in BPA rate increases to cover the cost of power purchased for the DSIs.
- No economic help for those smelter workers who are displaced. All aluminum companies except Kaiser have agreed to compensate their workers during their shutdowns, at least through September. BPA is offering to provide funds to prolong this compensation for up to two more years if the companies agree now to delay restart of their plants. BPA will not have this employee funding available if the companies wait until this fall and then decide they cannot operate. Waiting puts smelter workers' compensation at risk.
- The need to use more water to generate power that otherwise may be available for hydro operations to benefit endangered fish under many water supply conditions.

In recent years, the DSIs paid BPA about \$22 per megawatthour for power supply. The companies have frequently stated to BPA that it is not possible for them to operate at wholesale electricity prices above \$30/MWh. Whether the companies pay the market rate of \$210/MWh, or BPA's rate with a 250 percent increase (about \$80/MWh), it is unlikely that they would be able to profitably resume operation this fall.

A final point is that DSIs collectively have netted a sum approaching \$1.8 billion from reselling federal power and from BPA payments for their agreement to curtail operations this fiscal year. This has given them an ample war chest to offset any costs incurred by prolonging their current plant shutdowns.

For more information, see BPA's [fact sheet](#). For information on some aluminum companies' and workers' concerns, see the [Northwest Power Alliance](#) web site.

(Reported by Hugh Moore)

April 20, 2001



Rep. Peter DeFazio (D-Ore.)

DEFAZIO RELEASES DSI STUDY

Rep. Peter DeFazio (D-Ore.) released a report April 16 at a press conference that details the profits DSIs have made by reselling energy they receive from BPA. According to the DeFazio report, DSIs have already made \$1.4 billion this year remarketing BPA power. DeFazio was joined at the press conference by Oregon public agency and cooperative representatives. In addition to a company-by-company review, the report critiques the DSI tiered rate proposal. DeFazio concludes that the proposal is a raw deal for the Northwest. He said BPA may have to raise its rates by 50 to 250 percent this fall. One way to curtail that rate increase, DeFazio explained, is to reduce

BPA's load, or BPA's commitment to supply power, contracted to the region's DSIs. Click [here](#) to view DeFazio's report, which is posted on his Congressional Web site. *(Reported by Crystal Ball)*

April 13, 2001

ALUMINUM UNION WEIGHS IN

Hundreds of postcards from Northwest aluminum workers are arriving at BPA headquarters asking BPA for a two-tiered rate structure in 2002-2006. The United Steelworkers of America proposal would give all BPA customers three-fourths of their contracted power at current rates, and load the effects of market prices into the last fourth. Publicly owned utilities say the result would be lower costs for DSIs at the expense of much higher rates for all other BPA customers because utilities do not have the same flexibility to cut their loads by a quarter that the industries have. The union proposal is similar to one that aluminum companies have been promoting in Washington, D.C., except that the union proposal would encourage the industry to develop its own power resources independent of the federal system. The union proposal also asks BPA to insist companies fully compensate workers for lay-offs due to the sale of BPA power. *(Reported by Lynn Baker)*

To the Bonneville Power Administration:

Help provide energy, protect the environment and save jobs! Support the United Steelworkers of America proposal for a two-tiered rate structure so the Pacific Northwest's aluminum industry can develop new, clean and renewable energy resources and be off the BPA system by 2006. Also, hold all sellers accountable to their BPA contracts by insisting that they pay their workers full wages and benefits during lay-offs attributable to the sale of BPA power.

Name

Address

City State Zip

Phone # () Email

1-400-3

For Energy, Jobs
and our Environment
Support the United
rate structure!

Bonneville Power Administration

P.O. Box 3621

Portland, OR 97208-3621

Hundreds of cards from aluminum workers are arriving at BPA. Click the image for a full size version.

January 26, 2001

COLUMBIA FALLS DOES REMARKETING DEAL

BPA and **Columbia Falls Aluminum** Company have announced a plan to remarket electricity it buys from BPA and use the revenue to benefit plant employees and Northwest ratepayers as well as the company.

"Given the power situation up and down the West Coast, this deal could not be more timely," said BPA Acting Administrator Steve Wright. "BPA is pleased about CFAC's plans to take care of its employees. We intend to use this agreement as a model in further negotiations with Kaiser."

CFAC will shut down potlines through December. BPA will act as CFAC's agent to remarket roughly 200 average megawatts through September. BPA ratepayers will receive benefits equal to about 30-35 percent of the value of the remarketed power, plus a direct financial benefit of about \$60 million. In addition, BPA will not have to buy about 165 aMW of energy in October-December that it would have otherwise had to supply to CFAC.

CFAC has agreed to use the remaining proceeds to:

- Fully compensate employees through December 2001, based on employment levels before plant curtailments began;
- Pay plant curtailment costs and fixed costs;
- Secure future power supplies for CFAC through investments in conventional and renewable generation, energy conservation and power purchases.

CFAC also agreed to not argue for any direct or indirect service of federal power after Sept. 30, 2006.

CFAC is one of three aluminum companies that signed contracts in 1995 for power from BPA that allowed companies to remarket federal power they did not use. At the time, BPA power was at or above market; the remarketing provision provided some risk mitigation for CFAC against its take-or-pay obligation to BPA. BPA has reached a similar remarketing agreement with one of the other companies, Golden Northwest, and is continuing discussions with the other, Kaiser Aluminum. Click [here](#) for the news release. *(Reported by Hugh Moore)*

January 26, 2001

LOSING LOADS CAN AFFECT THE GRID

Turning off a big load like Columbia Falls Aluminum isn't easy on the transmission grid. The grid was built around the loads it serves and taking large chunks of load out of the edges tends to reduce system stability and affect the region's power supply and service. For example, curtailing the Columbia Falls aluminum plant makes it harder to use power from generators in western Montana, due to transmission constraints. Parties who wish to move power from Montana, northern Idaho and northeastern Washington could see more transmission constraints and curtailments. This includes power from federal storage dams such as Libby, Hungry Horse, Dworshak and Albeni Falls. *(Reported by Hugh Moore)*

May 4, 2001

WRIGHT TALKS WITH ALUMINUM WORKERS



"Wright is wrong," proclaimed posters and T-shirts as aluminum workers rallied at BPA headquarters on May 4. But Wright himself made it clear BPA supports continued pay and benefits for them if aluminum companies delay reopening potlines to help reduce BPA's rate increase.

"It's important that you know that since December, we've been fighting to get you full wages, and we'll continue to do so," Acting Administrator Steve Wright told a rally of about 500 aluminum workers in front of BPA headquarters on Friday.

"And benefits?" asked a voice from the crowd.

"And benefits," Wright replied. "Thank you for reminding me."

The exchange was the turning point in a lively and emotional day.

The rally started around 11:30 a.m., with speakers outlining the workers' requests for full compensation and tiered rates. "Come down, Steve," they chanted. Wright was, in fact, waiting for

rally organizer David Foster of the United Steelworkers of America to arrive. Foster was delayed in traffic, so at about 12:30 p.m., Wright gave up waiting and took the microphone. Wright explained the agreements BPA has made with most of the region's aluminum companies to compensate workers while the plants are off line. "There are companies who have worked with us and others who have not," he acknowledged. Specifically, he noted, Kaiser has "taken the money and run" – taken money from remarketing BPA power outside the region to pay its debts. "That's not the way it's supposed to work," Wright said. When Foster arrived, he also acknowledged and commended BPA for fighting for workers since December.

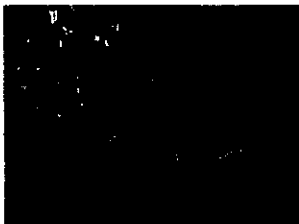
After the formal presentations, Wright continued to respond to questions and listen to workers' concerns. The rally ended around 1:30 p.m. Press coverage was extensive. *(Reported by Mike Hansen)*



Workers called on BPA to support continued aluminum industry jobs, wages and benefits. (Click photos to view larger version)



Union leader David Foster told the crowd BPA has been acting for the workers' interests. (Click photos to view larger version)



Wright listened to workers' concerns. (Click photos to view larger version)
(Photos by Taro O'Sullivan)

More than half the region's aluminum smelting capacity has now shut down.